

February 22, 2007

Mr. Edward G. McGinnis, Director
for Corporate and Global Partnership Development
Office of Nuclear Energy, NE-45
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

SUBJECT: LICENSING OF NEW URANIUM CONVERSION AND DECONVERSION FACILITIES

Dear Mr. McGinnis:

The purpose of this letter is to request the U.S. Department of Energy's (DOE) current position on the national energy and security implications of the licensing and regulation of uranium conversion and depleted uranium deconversion facilities.

In 1986, the U.S. Nuclear Regulatory Commission (NRC) was evaluating whether licensing and regulatory authority over the Allied Chemical Company (now Honeywell) uranium conversion plant in Metropolis, Illinois, should be transferred to the State of Illinois. At that time, Illinois had requested Agreement State status under Section 274 of the Atomic Energy Act. DOE explained its position on this issue in a letter to NRC dated November 17, 1986, signed by Mr. John Longenecker, Deputy Assistant Secretary for Uranium Enrichment. The November 17, 1986, letter stated that the Allied Chemical facility was one of two conversion facilities in existence at the time that supplied converted uranium hexafluoride to uranium enrichment facilities operated by the DOE. The letter went on to state that the commercially operated uranium conversion facilities and the DOE operated enrichment facilities represented a complex that was an important national asset essential to maintaining the common defense and security of the United States. In view of these considerations, DOE concluded that it would be prudent for NRC to retain its existing regulatory authority over uranium conversion facilities consistent with its charter to regulate facilities whose operation is in the national interest.

NRC staff is currently evaluating the future licensing of new conversion and deconversion facilities that are anticipated in the near-term. One of the critical issues under consideration is whether the NRC should retain its licensing and regulatory authority over facilities located in Agreement States due to common defense and security concerns, as in the case of the Allied Chemical plant, or discontinue its licensing and regulatory authority pursuant to Section 274 of the Atomic Energy Act, which would result in these facilities being licensed and regulated by Agreement States.

Since 1986, there appears to have been several significant changes in the national uranium conversion and enrichment complex described in DOE's November 17, 1986, letter. For example, enrichment facilities no longer produce high enriched uranium for military purposes; gaseous diffusion plants, once operated by DOE, have been privatized; and the Portsmouth Gaseous Diffusion Plant, which produced high enriched uranium, has been closed. In addition, there has been significant changes in the dynamics of the national and international uranium market, the dynamics in international relationships (end of the cold war), and the heightened

E. McGinnis

- 2 -

interest in the security area post September 11, 2001. Another consideration is, with the increase in the number of conversion facilities, whether the increased number of uranium conversion facilities would reduce the significance of any one facility from a common defense and security perspective.

Given these apparent changes, NRC staff is interested in whether DOE has additional information to offer to assist NRC in making its decision. In addition, NRC staff is interested in obtaining DOE's input with respect to the national energy and security implications of Agreement State licensing and regulation of depleted uranium deconversion facilities, which was not addressed in the November 17, 1986, letter.

We would appreciate any comments you have on this issue by March 23, 2007.

Sincerely,

/RA/

Robert C. Pierson, Director
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards